

Message Text

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ORIGIN NEA-10

INFO OCT-01 ISO-00 EB-08 ACDA-07 OES-06 OMB-01 TRSE-00
AID-05 IGA-02 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03
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INRE-00 NSCE-00 SSO-00 /079 R

DRAFTED BY NEA/INS:JRGRAHAME:EI

APPROVED BY EB:PBOEKER

NEA/INS:DKUX

EB/ODF:JWINDER

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FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI IMMEDIATE

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E.O. 11652: N/A

TAGS: EAID, IDA, IN

SUBJECT: INDIA AND IDA V

REF: NEW DELHI 2899

1. DEPUTY ASSISTANT SECRETARY BOEKER (EB) CALLED IN INDIAN ECONOMIC MINISTER BAIJAL ON FEBRUARY 28 TO EXPLAIN CURRENT U.S. POSITION ON GEOGRAPHIC DISTRIBUTION OF IDA V FUNDS. SUBSEQUENTLY, INDIAN EMBASSY FIRST SECRETARY, ECONOMIC (CHANDRA) CALLED ON DIRECTOR, OFFICE OF DEVELOPMENT FINANCE (WINDER) MARCH 1.

2. NOTING OUR COMMON OBJECTIVE OF A STRONG AND VIABLE IDA AND THE NEED FOR CONGRESSIONAL SUPPORT OF THAT OBJECTIVE, WE STATED THAT RECENT CONGRESSIONAL HEARINGS REAFFIRMED LIMITED OFFICIAL USE

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THE NEED FOR IDA TO BE SEEN IN GLOBAL RATHER THAN GEOGRAPHICALLY LIMITED TERMS. A NUMBER OF COUNTRIES ARE NOT GETTING THEIR FAIR SHARE OF IDA AND OTHERS HAVE GRADUATED EVEN THOUGH THEY CONTINUE TO MEET IDA CRITERIA. THE QUESTION OF SOME REDISTRIBUTION OF IDA LENDING IS THEREFORE RELEVANT.

3. WE SAID THAT AT FEBRUARY 25 MEETING OF IDA DEPUTIES

(DONOR COUNTRY ONLY) IN PARIS THE U.S. DISCUSSED THE NEED FOR SOME GEOGRAPHIC REDISTRIBUTION OF IDA V, WHICH OF COURSE

WOULD INVOLVE A REDUCTION IN THE SHARE, BUT CERTAINLY NOT THE AMOUNT, OF IDA LENDING TO INDIA. MOREOVER WE EMPHASIZED THE DESIRABILITY OF MAINTAINING THE REAL VALUE (I.E., ADJUSTED FOR INFLATION) OF COMBINED IBRD/IDA LENDING TO INDIA. THIS COULD, HOWEVER, ENTAIL SOME CHANGE IN THE IDA/BANK MIX WHICH GOES TO INDIA FROM THE CURRENT 75 PERCENT - 25 PERCENT TO SOMEWHAT MORE IBRD LENDING. IN RESPONSE TO QUESTIONS WE SAID THAT THERE WAS GENERAL RECEPTIVITY AT PARIS TO A DISCUSSION OF IDA REDISTRIBUTION, AND THAT THE IBRD BOARD OF DIRECTORS SHOULD CONDUCT THE REVIEW OF IDA LENDING PATTERNS.

4. IN CONCLUDING WE EMPHASIZED THAT OUR OBJECTIVE WAS TO BUILD NECESSARY CONGRESSIONAL AND PUBLIC SUPPORT FOR A LARGE, SUCCESSFUL IDA REPLENISHMENT, HAVING IN MIND THAT IDA IS THE PRINCIPLE CHANNEL FOR U.S. SUPPORT OF INDIAN DEVELOPMENT AND FOR THAT OF MANY OTHER LOW-INCOME DEVELOPING COUNTRIES. IF IDA IS TO BE IN THE LONG-RUN FREE OF POLITICAL CONSIDERATIONS, IT SHOULD HOWEVER, HAVE THE CHARACTER OF A FUND FOR BROAD SUPPORT OF LOW-INCOME DEVELOPING COUNTRIES GENERALLY. IN THIS CONTEXT WE COULD HAVE AN OPPORTUNITY TO RECONSIDERATION OF THE LONG AMENDMENT IN U.S. IDA LEGISLATION.

5. WE ARE WORKING ON GUIDANCE FOR YOU TO RESPOND TO LIMITED OFFICIAL USE

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MANMOHAN SINGH AND HOPE TO HAVE THIS FOR YOU BY C.O.B. MARCH 2 WASHINGTON TIME.
VANCE

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